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2010 Lawrence County Trending Project

Activity Summary

General

Lawrence County is made up of 9 townships, including the two largest which are Marion and Shawswick. Like most of the state the residential real estate market slowed in most areas of the county beginning in mid-2007 and continued to slow throughout 2008. In 2009 price levels and sales volume continued to lag. The number of sales has fallen and the percentage of forced or distressed sales has increased, however there has not been a complete market collapse as evident in other parts of the country. Prior to 2009 most of the growth in the county was seen in the northern part of the county, in Marshall and Perry Townships, where new development has been influenced by the close proximity to Bloomington. During 2009 growth in these two townships slowed substantially.

The commercial sector has seen mixed results with some new development on the north side of Bedford near the new Wal-Mart shopping center. While growth has increased in this area, the addition of the new store has had an adverse effect near the location of the former store. Outside of the north side of Bedford there has been little new commercial activity other than scattered sites in Marion and Marshall Townships along Highway 37. The number of commercial buildings permits fell sharply during both 2008 and 2009.

The Industrial sector has been relatively static. There has been relatively little new construction among the larger facilities in the county, with the exception of the stone mills. Some smaller shops have been added during the past few years and some new areas have been purchased for quarry sites. The two largest manufacturers in the county have been severely affected by the downturn in the economy. The General Motors Powertrain plant has been hurt by the lack of demand in the automotive sector, and the Ford Visteon Plant shut its doors and laid off its entire workforce. The Visteon plant was sold in 2008 with plans of reopening on a much smaller scale as a contractor to supply products to the Crane Naval Weapons Center.

Commercial

In the cities of Bedford and Mitchell a large enough sample of improved commercial sales was available to develop a trending factor. This factor was relatively small, and was applied as a land multiplier. Applying this trend factor to the improved parcels yielded an increase in most parcels in Bedford and Mitchell. A majority of Commercial parcels in both of these taxing units were increased during the 2006 through 2009 trending projects. In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of

commercial and industrial properties were carried out. This was done during each of the 2007, 2008 and 2009 trending projects.

The cost index was developed from reviewing 4 different time-adjusted indexes in the *Marshall and Swift* manual. The index arrived at for the 2007 trending was 1.33 (133%). That factor was changed to 1.39 (139%) for the 2008 project and 1.41 (141%) for the 2009 project. After the Commercial and industrial recalculation was carried out in 2007, new depreciation figures were applied using January 1, 2006 as the new effective date to determine depreciation instead of the prior January 1, 1999 date. For the 2008 project the effective age for depreciation was changed to January 1, 2007. For the 2009 project the effective age for depreciation was January 1, 2008. Market data available was used to help determine obsolescence depreciation if needed.

As part of the review of commercial property, the county's appraisal vendor carried out field inspections and complete reassessments of 33% of the improved property in both Bedford and Mitchell during 2007, and an additional 33% of those parcels in 2008, and is completing a review of the remaining 33% in 2009. During the 2010 project another 10% of the commercial and industrial parcels were reviewed countywide. During the 2006 trending project an additional 10% of the commercial and industrial parcels county-wide were completely reworked. Over a 5-year span over 90% of the improved commercial and industrial property has been reviewed in the field and reworked when needed. This review includes multiple visits to certain parcels.

Commercial Land

In order to supplement the county's data base for commercial land the land the county contracted with an appraisal firm from Bloomington, that is actively involved in appraising commercial properties in the greater Bloomington-Bedford area, to provide appraisal data on commercial land in Marion and Shawswick Townships. This data has been used to support and revise the land values established by the county. During each of the 2006, 2007 and 2008 trending projects commercial land has been raised significantly. During the 2009 and 2010 projects those increases have been much more modest than in prior years. During both the 2009 and current 2010 projects the largest increases were made to those properties along the main traffic corridors including Highway 37, 16th Street in Bedford, and the North side of Bedford along John Williams Blvd near the new Walmart center.

Residential

All sales disclosures for residential properties are initially verified and validated by the county assessor's office by phone contact with the parties involved in the sale. For those parcels where the sale price and assessed value differ by more than 15% a field inspection is carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussions with the owners onsite often yields new information about the financing or family relationships which do not always appear on the disclosures. During the 2010 project approximately 150 parcels were field checked to determine reasons for deviations

in sale prices and assessed values. During the period between 2005 and 2010 approximately 900 parcels have been field checked in a similar manner. [**See attached spreadsheet with partial listing of those parcels field checked for 2010*].

Sale prices throughout the county showed modest increases in 2006 and 2007. During 2008 the residential market began to stagnate with the lack of activity continuing into 2009. Changes in the market depended primarily on sale price level. Homes priced at \$150,000 or less continued to sell reasonably well. Much of this activity was related to the 'first-time homebuyers credit'. While market activity of the more modestly priced homes was acceptable, the market for homes over \$150,000 stagnated and dropped. Homes priced in excess of \$200,000 showed drops in sale prices from sales a few years earlier.

The number of foreclosures increased during the 2008 and 2009 trending project and jumped again during the current 2010 trending project. The resulting number of distressed sales has created additional work during the verification process. The number of contract sales has jumped as buyers are less likely to find conventional financing.

Significant changes were made to the residential parcels during the 2006 trending project, but most of the changes for 2007 and 2008 were relatively modest. Changes during the 2009 were extremely modest with some neighborhoods showing no change. During the current 2010 project some neighborhoods were trended slightly higher, several were left unchanged, and several were also lowered to reflect lower market prices. [**See attached file which summarizes all changes made to each neighborhood within the county*].

Income Producing Properties

Lawrence County has a relatively large number of multi-family housing apartments. Most of the multi-family developments are either low-income or elderly housing. These apartments include type 515 rural housing and section 42 tax credit apartments. The county has obtained income and expense data from the majority of those properties. Almost all of the multi-family apartments were appealed during the 2002 reassessment and/or following the 2006, 2007 and 2008 trending projects. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from a significant number of residential rentals to develop GRM's and compared the GRM derived values against the current assessed values. The county has also obtained gross rent multipliers from area appraisers that is used in valuing rental property in the county.

Other Data Sources

The county has very actively utilized any data that can be obtained from MLS data. The data is primarily on-line listing fact sheets as comparison of value and also to obtain construction data

on both residential and commercial property. During the 2006 through 2009 trending projects approximately 800 parcels were adjusted as a result of information gathered from MLS data. During the 2010 project the number of parcels reviewed through listing data has fallen due to the decreased number of homes for sale on the open market. The county uses this data in an ongoing basis and the data is not limited just to trending.

As part of the ongoing assessment process the county also has a tax attorney, Marilyn Meighn, on retainer. The county utilizes her services on various appeals each year, for questions relating to exemptions, and interpretation of Indiana Code and directives. She has also coordinated appraisers and expert witnesses for tax appeal hearings.

The Bloomington appraisal firm that has assisted the county with commercial land valuations has also assisted the county with a variety of other projects during the past few years including the appraisal of multiple apartment complexes throughout the county and a review of capitalized income and expense data. The same firm is also assisting the County with a review of rental data on Bedford's shopping center. The county also retains the services of an Evansville appraisal group with assistance on larger industrial facilities.

Neighborhood Revisions

During the 2008 trending project an extensive review of neighborhoods was conducted. As part of that review various subdivisions within the Bedford City limits were removed from one neighborhood and placed in more appropriate surrounding neighborhoods. While the placement of these subdivisions in their respective neighborhoods seemed appropriate during the 2002 revaluation, sales over subsequent years indicated they should be moved to neighborhoods with different multipliers to bring their assessed values more in line with the market.

Also, during the 2008 review, various small neighborhoods were made inactive and the parcels within those neighborhoods added to adjacent areas with very similar attributes. Below is a listing of neighborhood combinations:

Bedford #1109 added to 1106; #1123 and 1124 added to #1117, #1108 added to 1103, (1109, 1123, 1124, 1108 now inactive);

Pleasant Run #9704 added to #9705;

Oolitic #1301, 1303, 1304 all added to #1302, #1310 and 1313 added to #1311, #1307 added to #1306;

Perry #9610, 9611, 9612 and 9614 all added to #9613, #9617 added to #9616

While the above neighborhoods were combined because those areas were "overstratified" a few additional neighborhoods were created to address the problem of having commercial and industrial parcels included in the same neighborhood as residential and ag parcels. The commercial and industrial parcels of Marion Township were split from neigh #9401 and added to a new neighborhood #9405.

During the 2009 project additional smaller neighborhoods were combined into larger neighborhoods to further reduce any areas which may have been "overstratified". During the

upcoming reassessment the county plans to further adjust neighborhood boundaries and combine additional smaller homogenous neighborhoods.

As work continues on the 2011 land valuation and 2012 reassessment, the county will further consolidate many smaller neighborhoods into larger adjacent areas to further reduce stratification. [** Attached neighborhood file indicates which neighborhoods will be consolidated in 2011*].

Time Trending of Sales Outside the 2009-2010 Sales Period

Due to the small size of some of the county's more rural townships the number of available sales from 2009 and early 2010 was not sufficient to produce an adequate sample pool of sales. The sale range was expanded to include sales from 2005 through 2008 if needed. The time adjustment factors tended to be lower than those used during prior trending projects. This was done to reflect the trends shown in the market. For residential improved parcels a nominal annual rate of 1% was used and a slightly higher rate of 2% was used for raw land sales.

In lieu of using a traditional index such as the CPI, the adjustment factors were based upon a variety of methods including opinions of local appraisers and realtors; review of parcels with multiple sales in the past five years; and a review of sales data from prior trending projects. Index factors such as building materials cost have tended to increase significantly while the price of homes have remained flat.

As part of the 2010 project the Assessor obtained written opinions of market change from local Realtors and Appraisers to supplement the data.

Combination of Commercial and Industrial Sales Lists

Due to the limited number of industrial sales within the county, all industrial improved sales have been combined onto one spreadsheet and all industrial vacant sales were also combined into one spreadsheet. In addition, all commercial vacant and all commercial improved sales outside of Shawswick Township were combined with Marion Township.